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C O N F I D E N T I A L SECTION 01 OF 03 ACCRA 000157

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TAGS: [EPET](#) [ENRG](#) [EINV](#) [ECON](#) [GH](#)

SUBJECT: OIL IN GHANA - THE GOOD, THE BAD AND THE UGLY

Classified By: Economic Chief Phil Cummings for reasons
1.4 (b) and (d).

PLEASE CLOSELY PROTECT ALL CORPORATE SOURCES.

¶1. (C) SUMMARY. During a business roundtable with AF Assistant Secretary Johnnie Carson, oil and gas companies discussed both the advantages and the risks of doing business in the energy sector in Ghana. The country stands at a fork in the road regarding the use of Ghana's modest future oil and gas revenues: they could enhance the development of Ghana, or oil money could lead to increased corruption, violence, and environmental degradation. Companies praised the competence of the labor force and government, and a favorable security situation in Ghana as reasons to operate here. They also raised numerous concerns with a politicized bureaucracy, energy companies thrust into the center of the national sport of political football, and unrealistic goals set by the public and government. Worryingly, there is growing uncertainty over whether the GOG will honor contract sanctity after political transitions. END SUMMARY.

¶2. (C) During his visit to Accra, Assistant Secretary Carson met with representatives from oil and gas companies for a roundtable discussion on their experiences operating in Ghana. He opened the meeting by saying that the discovery of oil presents a choice for Ghana. The government can use the oil revenues to provide economic growth, hope and opportunity; or the oil can provoke the country to violence, chaos, environmental destruction and corruption. He said that the USG promotes U.S. investment in Ghana's oil sector and the use of Ghana's natural resources to benefit its people, not a corrupt elite.

THE GOOD: SAFETY AND SECURITY

¶3. (C) Many company representatives spoke of Ghana being a preferred country in Africa. Technip and Tullow spoke specifically about safety and security in Ghana. Tullow explained that in many countries, even those with prior experience developing oil fields, it can take 5-7 years to move from oil discovery to production. In Ghana, it will take only four, which speaks highly of the government and labor base. Schlumberger's Transportation Management Center for Africa is headquartered in Ghana, and they are transferring regional staff from Lagos to Ghana because of the favorable environment.

THE BAD: POLITICIZATION OF THE BUREAUCRACY, POLITICAL
FOOTBALL WITH PETROLEUM AGREEMENTS, UNREALISTIC GOALS

14. (C) The oil company representatives described red flags they had seen in other countries when countries began to misuse oil sector revenues. Anadarko said they believed the warning sign was politicization of the bureaucracy. They said that since the NDC has come to power, there has been "radical change" in implementation of the Petroleum Agreements signed under the previous administration. Furthermore, they said that Anadarko and other companies have been caught up in the "political football game" in the press, despite their best intentions to stay politically neutral. They added that there were a number of non-governmental advisors complicating the bureaucratic process, with which Qadvisors complicating the bureaucratic process, with which Schlumberger's representative agreed.

15. (C) Several company representatives also described unrealistic expectations of how the oil sector can bring wealth and employment in Ghana. Anadarko cautioned that oil production is capital intensive, not labor intensive, so there will not be a big need for Ghanaian labor. Furthermore, they said that many companies, including Technip, would have to bring equipment and contractors from outside of Ghana to operate effectively. Anadarko expressed concern that in the next election oil companies will become a target when the Ghanaian people are frustrated with their unmet expectations. NOTE: Post is now only beginning to see signs of the Ghana National Petroleum Corporation and Energy

ACCRA 00000157 002 OF 003

Minister attempting to dampen public expectations. END NOTE.

16. (C) Anadarko said that the Energy Ministry has drafted a local content policy document that mandates that the oil companies hire 90 percent of their employees locally within 10 years. COMMENT: Although the GOG is not currently enshrining this exhortative policy in law, this policy, currently receiving public comment, has triggered serious concern among oil companies in Ghana. END COMMENT. Tullow has about 80 percent Ghanaian employees, including 50 percent of management. Tullow also said that the GOG is considering a policy that would require oil companies to use 90 percent local content over time, a figure that is essentially impossible. He noted that in Trinidad, a country Ghana often uses as a model, oil companies use about 10 percent local content.

THE UGLY: CONCERNS ABOUT CONTRACT SANCTITY

17. (C) The primary concerns of many of the representatives were contract sanctity and rule of law. Tullow said the government is "turning a blind eye to what the contracts actually say," a threat to the investment climate in Ghana. He said it was important to feel confident that contracts will remain in place over different administrations, and they do not have confidence in that level of consistency in Ghana. Tullow said that in their experience, unfavorable laws that are consistent are preferable to inconsistently applied favorable laws.

18. (C) Kosmos agreed and said that the Mills Administration had "systematically interfered" with the sale of its asset. They said that sanctity of contracts is "out the window" in Ghana, and the government is trying to "shake us down." Kosmos said that this interference by the GOG was a deliberate attempt to lower their reputation, and thereby drive down the value of their asset. They described their experience as a "pattern of government misbehavior" and said Ghana could not be called a democracy in spite of their

elections because of their behavior between elections. The Assistant Secretary disagreed with this assessment of democracy, but agreed that sanctity of contracts is crucial. Schlumberger attributed the GOG's interference in the sale of Kosmos's asset to political concerns. They said that because Kosmos's financial partners are linked to the opposition party, the current administration is unwilling to let them sell their asset out of fear that it will provide their political rivals with funding.

¶9. (C) Anadarko's representative also expressed concerns about their contract. In Ghana, as in many countries, he said that the government must approve the sale of an asset in the oil sector. However, he believes that in Ghana the GOG will insist on the right to buy the asset being sold, even though that is not specified in the contracts. Tullow echoed this sentiment. Anadarko added their concern that contracts from the previous administration will not be considered valid in this administration.

¶10. (C) Tullow brought up Norwegian company Akers SA, which was granted a Petroleum Agreement and shot about 2,500 km of 3D seismic images, a very expensive endeavor. Recently, the Q3D seismic images, a very expensive endeavor. Recently, the Minister of Energy announced that he wanted to re-negotiate the license over a seemingly minor issue, and Akers is now suing. The Assistant Secretary said that these problems are very damaging to the reputation of Ghana, and will be problematic both for U.S. companies and for the economic growth of Ghana.

¶11. (C) In his closing remarks, the Ambassador asked companies to keep the Embassy in the loop. He assured them we would be discreet if they need us to be, but said that it would help in the way we interact with the GOG if we know about their experiences.

¶12. (C) Roundtable Participants (PLEASE PROTECT):
Assistant Secretary Johnnie Carson
Ambassador Don Teitelbaum
Economic Chief Phil Cummings

ACCRA 00000157 003 OF 003

Rob Scott, Anadarko Petroleum Corp.
Sam Eshun, Schlumberger Technical Services Inc.
Ted Harrigan, Tullow Oil
Kevin Black, Kosmos Energy
Boniface Plahar, Balkan Energy
Stephane Sole, Technip
Kofi Tornam Afenu, Vanco

¶13. (C) This cable has been cleared by Assistant Secretary Carson.
TEITELBAUM